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SUBJECT: KOREA FTA: PREPARATORY DISCUSSIONS ON TRACK

SUMMARY

¶1. (SBU) On March 6-8 an interagency team led by Assistant U.S. Trade Representative Wendy Cutler made substantial progress in laying the procedural groundwork for U.S.-Korea Free Trade Agreement (FTA) talks, the first round of which will be held during the week of June 5 in Washington. The U.S. delegation and their Korean counterparts had a useful discussion on a wide range of procedural issues, including the number and subject matter of the FTA negotiating groups, confidentiality of negotiating documents, and participation

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of non-government officials in the formal negotiations. The Korean side confirmed that they would provide their negotiating texts to the United States in early May, around the same time that the USG plans on submitting its texts to Korea. Korean Chief Negotiator Ambassador Kim Jong-hoon plans to visit Washington in April to finalize agreement on the outstanding procedural issues.

¶2. (SBU) In side meetings, Cutler met with top officials from the Blue House, the Trade and Finance Ministries, U.S. and Korean business leaders and leading think tanks, as well as with concerned members of the National Assembly, for useful discussions concerning public outreach and managing each nation's perceptions of the potential benefits and risks of the FTA negotiations. Cutler's speech to the American Chamber of Commerce, highlighting the benefits of the FTA for both economies, received widespread and mostly favorable coverage in the local media. End Summary.

ESTABLISHING FTA MODALITIES AND PROCEDURES

¶3. (SBU) The primary purpose of AUSTR Cutler's successful March 6-8 visit was to lay the procedural groundwork for the U.S.-Korea FTA negotiations, which will be critical to successful conclusion of the agreement. To that end, AUSTR Cutler and her delegation, including officials from USTR, the Departments of State, Commerce and Agriculture, and the Embassy, met for three hours with Korean Chief Negotiator Ambassador Kim Jong-hoon and his team on March 6, to discuss modalities and procedures for the negotiation of the FTA. The two sides had a useful discussion on key procedural issues, including the number and subject matter of the FTA negotiating groups, confidentiality of negotiating

documents, and participation of non-government officials in the formal negotiations.

14. (SBU) The two sides reached agreement on a time schedule for the negotiating rounds, as follows:

April: Visit by Ambassador Kim Jong-hoon to Washington to finalize modalities and procedures

May 4: 90-day consultation period expires, two sides exchange draft texts in early May

Mid-May: Working level MOFAT visit to Washington to meld texts and construct brackets

June 5-9: First Negotiating Round, in Washington

July 10-14: Second Negotiating Round, in Seoul

September 11-15: Third Negotiating Round, in United States

October 23-27: Fourth Negotiating Round, in Korea

December 4-8: Fifth Negotiating Round, in United States

15. (SBU) The Korean side also provided a list of their negotiators for the FTA, which included representatives from the Ministry of Foreign Affairs and Trade (MOFAT), Ministry of Agriculture and Forestry (MAF), the Ministry of Commerce, Industry and Energy (MOCIE), the Ministry of Information and Communications (MIC), the Fair Trade Commission (FTC), the Ministry of Culture and Tourism (MOCT), the Ministry of Labor (MOL), and the Ministry of Finance and Economy (MOFE). The Koreans confirmed that they intend to provide their own negotiating texts in early May, around the same time that the United States is planning on submitting its texts to the Koreans.

16. (SBU) Discussion on the composition of the FTA negotiating groups was fruitful but less conclusive, and the meeting concluded with agreement by both sides to further consult in capitals in an effort to reach a resolution of the issue. The United States presented its prior practices for maintaining text confidentiality in FTA negotiations to determine if they would meet the needs of the Koreans. The two sides agreed to continue discussions regarding confidentiality concerns to find a mechanism that would be

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acceptable to both parties. The Korean delegation also expressed concern about the USG's proposed blanket ban on participation by non-government personnel during the negotiations, saying that they hoped to have government-affiliated think tank experts and contracted private lawyers joining the talks as observers and advisors. Discussion on that will continue as well.

17. (SBU) AUSTR Cutler also stressed during the meeting that she is under instructions to complete substantive negotiations by the end of 2006. The Korean side indicated that they could make a best-effort commitment toward that goal, but hesitated to set the end of 2006 as a public target date, fearing that would exacerbate public concern in Korea that the United States is railroading concessions in the FTA talks.

MEETINGS WITH SENIOR OFFICIALS

18. (SBU) The Ambassador joined AUSTR Cutler for an hour-long meeting with Trade Minister Kim Hyun-chong. Cutler and Kim reviewed recent developments in media reporting on the FTA, and Cutler specifically complained about MAF Minister Park Hong-soo's statements that liberalization of rice and beef imports would not be included in the FTA. Cutler and Kim agreed that it would be important for both sides to continue to avoid the temptation to be too explicit about explaining their negotiating positions in the press, so as to avoid undermining public consensus behind the agreement on both

sides of the Pacific. While some background noise is unavoidable, given the need for public transparency, Minister Kim pledged to minimize his own statements on the FTA beyond generic cheerleading concerning the benefits of the FTA for both economies.

¶9. (SBU) In a separate meeting, Presidential Economic Advisor Chung Moon-soo emphasized President Roh Moo-hyun's strong support for the FTA, highlighting the President's recent statement that conclusion of the FTA was among his top two priorities for the remaining two years of his tenure. Chung told Cutler that the President's FTA policy is threefold:

-- Achieving a balanced, high-quality result, to garner public and National Assembly support;

-- Not allowing interest group pressure to cause negotiations to fail; and

-- At the same time, not agreeing to concessions that exceed Korea's (unstated) bottom line.

Chung explained that the Korean public is anxious about concluding an FTA with a much "larger and stronger" partner, and therefore concerned that the talks will be a one-way street.

¶10. (SBU) Ministry of Finance and Economy (MOFE) Vice Minister Kwon Tae-shin explained to AUSTR Cutler the role that Deputy Prime Minister Han Duck-soo will play in reaching consensus on negotiating positions within the Korean government. Han, for example, played the leading role in the decision to lower Korea's screen quota trade barrier prior to the announcement of FTA talks. Kwon reiterated his ministry's strong support for the FTA as a process that can help upgrade the Korean economy in many ways. On a sectoral basis, MOFE will be most involved in the financial services negotiations. MOFE hopes that its recent efforts to push forward another round of financial regulatory reforms will help ease FTA negotiations in that sector.

OUTREACH TO ASSEMBLY, ACADEMICS AND PRIVATE BUSINESS

¶11. (SBU) AUSTR Cutler met with key National Assembly supporters of the FTA, from both sides of the aisle, during a dinner hosted by the DCM. Cutler encouraged the Assembly's "FTA Forum" to be active throughout the year in promoting the FTA. Uri Party Foreign Affairs Chairman Chung Eui-yong responded that the Forum is working hard to increase its membership from the current 21 members (there are 299 members in the unicameral Korean National Assembly). Chung also indicated that the Forum hopes to organize a trip to Washington during May 2-4 to meet with counterparts in the U.S. Congress to discuss the FTA.

¶12. (SBU) In other meetings, senior staff from the Korea International Trade Association (KITA) told Cutler over breakfast that the organization is leading a coalition of Korea's five major business organizations to support the FTA. Thus far, their public outreach has included newspaper advertisements and press conferences. Separately, Korea-U.S. Business Council Chairman (and Hyosung Group Chairman) S.R. Cho told Cutler of his plans to leverage the June 20-22 meeting of the U.S. and Korea councils to underscore business community support for the FTA. In a free-ranging discussion with top academics from Korean universities and think tanks, the trade policy experts told AUSTR Cutler that it will be a constant struggle to keep the Korean public from focusing on the loud minority economic "losers" from the FTA, rather than the silent majority "winners." In all these meetings, Cutler emphasized that the U.S. experience with promoting trade policy in an active democracy dictates that it is imperative for supporters to be vocal about the broader benefits of the FTA for Korea's economy and society, including the benefits for consumers. It is also critical

for that drumbeat to be maintained throughout the process, all the way from announcement through the negotiations to ratification.

OUTREACH TO U.S. BUSINESS AND THE MEDIA

¶13. (SBU) Cutler's first meeting in Seoul was a roundtable with the Executive Committee of the American Chamber of Commerce. The Chamber is highly supportive of the FTA, and has been conducting numerous outreach activities. At the same time, AmCham's membership is concerned about obtaining high-quality outcomes from the FTA negotiations, particularly in the autos and pharmaceuticals areas.

¶14. (SBU) Cutler's on-the-record luncheon speech to the full AmCham membership later in the week was attended by 200 individuals and covered widely throughout the Korean media. The speech, which emphasized the benefits of the FTA for both economies, while flagging the tight timeline for achieving success, was widely quoted throughout the media. Most press accounts were accurate, although two newspapers chose to interpret AUSTR Cutler's response to one question as indicating an unyielding USG stance toward the negotiations. The speech and Q&A have been posted on the Embassy website in both English and Korean at: <http://usembassy.state.gov/seoul/rok20060307.html>.

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